

Wood Packaging Solutions Incorporated



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July 2013

Another Nail in CPC's Coffin

It was announced today, July 15, 2013 that Lablows Corporation will purchase Shoppers' Drug Mart the largest drug store in Canada. This adds 1200 stores to the Lablows chain across Canada. This may not seem a big deal to many but it is if you are thinking of saving CPC the orange pool pallet.

Lablows, the largest grocery store chain in Canada is in negotiations with pool pallet corporations to supply their distribution centres with pallets to move their food products.

With this decision the option of a smaller CPC pool administered and controlled by the few may be dead in the water.

Lablows and Shoppers Drug Mart were two of the largest consumers and owners of CPC pallets.

This leaves Tim Horton's [Wendy's International, Inc] and Sobey's/Safeway as the largest corporations committed to the CPC pool. There are other smaller corporations committed but these are the largest.

Some have reported seeing the orange pallet being painted another colour as many groups decide it is over and these pallets are free.



Canadian Wood Pallet and Container Association Announces a Three Year Agreement with the Canadian Food Inspection Agency

My Opinion: This decision by the CFIA has been a year in consultation with the two inspection boards. The CFIA wanted to meld the two programs to provide a more seamless wooden pallet/wood packaging/HT lumber program and reduce the demand on their program officials.

This new agreement now allows all inspection services in Canada, associated with the inspection of the Wood Packaging Certification Program, to offer their services to the estimated 800 registered facilities.

This new agreement melds both lumber and wooden pallet certification programs and now allows the **Canadian Lumber Standards Accreditation Board** lumber inspection services and the **CWPCA/ACMPC** to offer their individual services to clients. This may help many clients in the program by reducing their financial commitment. To be competitive the lumber inspection services most probably will trim their pricing closer to the rate offered by the CWPCA/ACMPC.

The twelve lumber inspection services and the wooden pallet/packaging service have traditionally been far apart in annual cost. The wooden pallet/wood packaging inspection service offers two inspections annually for an established wooden pallet/packaging client and four if a client has a kiln.

The lumber inspection service, as managed by the CLSAB, requires a minimum of 12 inspections annually. There is no differentiation between a wooden pallet producer and kiln operation.

Some clients may want to either increase their inspections for a few more dollars to ensure the integrity of their program while others may feel that two inspections annually are sufficient.

The American Lumber Standards Committee, the regulation board for the US wooden pallet/wood packaging program and lumber inspection program, considers twelve inspections the minimum required to sufficiently provide the needed protection of their program and protect the integrity of their ISPM 15 policy globally. This US program has over 5000 clients and regulated by near 20 inspection service that have the option to offer competitive pricing for inspections to gain clients.

I am surprised that the American Lumber Standards Committee has allowed the CFIA to continue with two inspections annually when this agency, if they so desire, could demand that all certified ISPM 15 wood packaging entering the US must have been inspected a minimum of 12 times annually. This would put undue pressure on the CWPCA/ACMCP inspection program and force many in one program to jump to the other program.

The ALSC carries a big stick in the lumber and wood packaging industry in the USA and the USDA/APHIS has allowed this agency to promote and interpret policy to protect the integrity of the ISPM No. 15 policy directive. Not sure what is going to happen when these two governments terminate the bilateral agreement and demand ISPM No.15 certified packaging for all shipments crossing our common border.

From the CWPCA/ACMPC Website

After twelve months of industry consultations the Canadian Food Inspection Agency (CFIA) is finalizing a new policy directive, D-13-01, entitled Canadian Heat Treated Wood Products Certification Program (HT program).

This new policy directive combines two previous programs; the **Canadian Heat Treated Wood Packaging Certification Program (CHTWPCP)** and the **Canadian Wood Packaging Certification Program (CWPCP)** into one program under the name Canadian Heat Treated Wood Products Certification Program (CHTWCP) or more commonly referred to as the Heat Treatment (HT)

program.

This new phytosanitary certification program administered by the Canadian Food Inspection Agency (CFIA) is the sole certification system for all facilities in Canada wishing to ghughes@woodpackagingsolutions.ca 705-887-9631

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produce wood packaging material in accordance with the provisions of International Standard for Phytosanitary Measures (ISPM).

Under this new directive the CFIA has issued a Third Party Oversight Agreement to the Canadian Wood Pallet & Container Association, which was signed on May 31st. The new agreement has number important features.

1. The agreement covers a three year timeframe until 2016 which provides a solid platform for new investments in technology and service delivery programs
2. The Canadian Wood Packaging Certification Program (CWPCP) retains its program name for recognition and marketing purposes.
3. The new agreement provides for an enhanced role of the Third Party Auditor in completing the evaluation of prospective facilities operations and the approval process to become registered facilities.

For the 468 registered facilities under the CWPCP program across Canada this is welcomed news in that it ensures that the program staff and inspectors they have come to rely on for up-to-date information on compliance measures and the quality management systems they have established in their own operations to ensure their customers are supplied with properly certified wood packaging will remain in place.

This new agreement significantly strengthens the image of the Canadian wood packaging industry both in Canada and around the world in its important role of facilitating Canadian exports using forestry products and preventing the spread of regulated pests in the global marketplace.



North American Pallet and Wood Packaging, Lumber Report

I have been approached by a number of my WPSI clients and the Western Pallet Association to write a monthly report on the wooden pallet, wood packaging and pallet core industry in North America. This report will accompany the lumber report on our most common lumber dimensions.

If there is sufficient interest I continue this monthly report.



Way out West

I spoke to one new pallet manufacturer in the southwestern US who considers pallet demand in 2013 to be slightly better than the previous three years but their confidence in the marketplace and economy is "zero".

This large company is holding their breath hoping that there will not be another downturn. They are very cautious in every aspect of their business, especially hiring and capital expenditures.

This company believes that lower lumber prices this summer have hurt them. They would prefer higher priced lumber that may put pressure on smaller companies when bidding on a contracts. When the lumber is cheap it opens the door to pallet pricing with little margins which create financial pressure on larger pallet companies with higher overhead costs.

Typically there was and will always be a lull after major holidays. Memorial Day and other holidays seem to generate a silence in pallet ordering from corporations. No one knows why but it happens. This company is looking forward to the fall and stability in the market place.

COSTCO's commitment to the block pallet has drastically reduced white board pallets from finding their way to the general pallet repair community. When asked about the availability of cores the answer was the same, no relief!

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This next company is traditionally 100% new but does provide repaired cores to some of their larger accounts. His first words to me were; *“profit margins are down and I see no correction for many months”*. He did say that his company is quite busy but very concerned with the slim margins and aggressive competition.

We talked about the Chinese lumber buyers who have upset the lumber market once again making it very hard for a pallet operation to bid on a contract that must be calculated over a three or six month period.

Lumber inventories now in their yard are causing headaches. They must calculate the price of the lumber purchased in the spring and group that with the price of their new lumber orders and then try and defend their margins. We both agreed that there could be a difference of \$100.00 Mbf from the early 2013 spring until today. Their lumber comes out of the US northwest and availability is good.

Their pallet core business is off 50-60% and this owner sees no recovery due to the lack of quality cores which mirrors the rest of North America.



Pallet core availability in the Northwest is extremely slim. The main culprit is COSTCO who used to be a big contributor to the pallet cores business. Today they are 100% block and little if any white boards are offered from these huge DC's.

Lower lumber prices this month are presenting some pallet people the option of building new rather than worry about core availability. The increased price that pallet pickers and DC's want for their used cores and the cost of repair now opens the door to new pallet production.



The new pallet business in the Northwest is recovering nicely. A number of companies to whom I spoke are working to 100% plant capacity and have been for 3-6 months. These companies all say that there continues to be a number of common business challenges with lumber being number one.

Competition is keeping everyone on their toes and most are very guarded on their labor. Good documented labor availability is not good. This plant spend a good amount of time insuring employee contentment ensuring labor calm.

Most of the big companies are following the hiring regulations, while some, it has been said, may not be completing their background checks on migrant and newly hired workers.

Pallet prices are holding and most companies have a wait-and-see attitude before approaching their consumers for an increase or in reverse, offering a decrease due to lumber fluctuation.

If they jump too soon lumber may spike and force them into another visit to their customer that usually is not enjoyable.



In speaking to some brokers from British Columbia they all said that prices for SPF may be firming. Prices are up \$8-10.00 on all dimension stock in the past 3 weeks.

Canfor, one of Canada's largest mills, has informed some brokers that the Chinese buyers are back in the picture. #3 is becoming tight and prices are up nominally.

Prices for softwood shipped to the **Bay area** from **BC**.

- 1x6 \$320.00 CDN add another \$10.00 for shipping to Southern Cal.
- 1x4 & 2x4 \$330.00 CDN add another \$10.00 for shipping to Southern Cal.

As of today the US buyers will gain near 3% on exchange but may lose that when the US lumber lobby sets the countervail duty. That tariff percentage is explained later in this Newsletter.

What happened to create the increase in lumber prices this spring? Most BC brokers feel it was the greed of the mills. They all wanted to make back immediately what they had lost in the economic downturn. Many brokers feel that if they had gone slowly they would have been more successful in gaining back their loses.

My opinion on this subject is that the Chinese lumber buyers measured the increase in lumber costs and simply stopped buying. They knew this would put pressure on the mills and in time force them to start dumping their over-supply of on the ground stock at a reduced price.



Mid West USA Lumber & Pallet Report



In speaking to a pallet friend in the mid-west, he shared that pallet demand continues to be on for two weeks and off for two weeks. He is not looking forward to the traditional consumer shutdown for holidays but it may allow him bulk up on some repaired cores.

Many larger repair businesses, due to the reduced core availability, have decided to supply those that pay well and let the others find other suppliers.

He said it was not in the best interest of his companies to supply businesses that take 45 to 60+ days to pay their bills. His management team has decided to supply their best customers with #1's and #2's and then offer their #3's and other to their poorest paying customers. A take it or leave it situation.

Core availability continues to be as bad as they say. His company is one of the largest in the mid-west and considers it a daily chore to try and locate available cores, most times paying a premium for the cores to have them ready for their premium customers.



Another pallet operator complained that hardwood lumber availability was extremely tight. This affects pallet prices and angered the buyers of those pallets who complained vigorously against the increase. Many complaining that they can buy their pallets from a small shop cheaper but they know the availability will be uncertain from week to week. In the Hardwood Outlook in 2013, deeper in this newsletter, the Hardwood lumber report stated that hardwood pallet demand will grow steadily into the fall with the increased availability of low grade hardwood. I hope so.

Many pallet companies are pricing by the order to try and keep current with lumber costs and availability. There is no longer any longterm commitment to price.

The Omish are of great concern to many pallet people in Illinois, Indiana, Pennsylvania and Ohio. This religious group gains business tax benefits, relief from filing employee benefit and employee statements. There is little typical tax paying pallet companies can do about this issue but it certainly causes concern when business is such a daily concern.

Again, core availability deeper in the south central US continues to be a problem. Many, similar to the north, are paying too much for the cores from distribution centres. Some tell me that they are paying 50% more than last year for the same cores due to the fact that DC's are taking advantage of the need for repairable units. Many pallet companies realize that the DC's are gouging but little can be done. Most are paying between \$3.50 to \$4.50 for these cores and now must add this increase in cost to their selling price.

It is a day-to-day problem. Not enough cores for the demand and now you must pass another increase onto your consumer.

Many pallet people feel that the US government is out to destroy small business. They want Obama care, increase in minimum wage, employee documentation and an increase in business taxes. Many larger pallet companies are right on the edge and are concerned with

their profit margins that are down again. They all know that the smaller fringe pallet companies with whom they compete do not pay their fair share of taxes. Again, more pressure on the good guys.

Many pallet companies are forced to hire employees that work harder to not work than work. Many do not show up on time and many, when offered overtime decline when everyone understands their very poor financial situation.

One company said that one out of four workers work harder on getting a free ride or food stamps from the government than work. Many younger employees regard their free time as essential and their day work comes second.

All in all, cores are scarce, new pallet production is average to poor and the day-to-day struggle of first-class tax paying pallet companies continue, There is little change in the near future.



Eastern & Southern USA Lumber & Pallet Report



The companies to whom I spoke all voiced the same fact, "It is a competitive market with a smaller percentage of business to go around".

After the recent recession, the east and southeast both lost consumers of pallets to the downturn. Businesses have not returned in numbers but some are trying hard to restart.

Cores are very hard to locate and when you do find them and start to repair these cores you find they are of very low quality. This puts more pressure on the repair lines and an increase in boards to repair that pallet. The cost to repair has increased due to the poor quality and to pass this increase onto your customer is very tough.

Some of the cores that are slated for the repair line are so poor the operator simply tosses them into the grinder. There goes a total dollar loss that cannot be retrieved.

The weather has put undo pressure on the logging of the southeast. The reduced availability of low end hardwood has put pressure on the price along with finding mills that have hardwood lumber for sale at a price that is affordable.

New pallet production is average to good and business is not bad but most plants production is between 65-90%, depending on the state.

Again many have voiced the same argument that seems to be nationwide and that is most consumers want to pay less than the asking price. They know the industry is struggling and many are taking advantage of this fact.

It is a day-to-day struggle to produce a product that is profitable and meets their customers needs and price range.

Profits are down and it seems to be a fact of business that most pallet companies are being forced to carry their customers debt causing all kinds of cash flow problems.

Most are staying strong hoping for a rebound.



Western Canada Softwood and Pallet Report



The western Canadian lumber market is jumping fast. Economy is up across the board. #2 and better is up \$35.00 this week from \$355.00 to \$390.00.Mbf, CDN.

It seems like lumber inventory at the mill is disappearing. Tolko has indicated that their 2x6 has firmed up almost \$8.00 - \$10.00 in three weeks, depending on the broker.

Douglas Fir 2x4 has increased \$25.00 in three weeks and 2x4 softwood has increased \$10.00 Mbf in three weeks.

One broker told me that stud grade is up \$80.00 Mbf in three weeks which offers an insight into the housing starts both in Canada and the USA.

The Chinese buyers are back. The economy lumber is harder to find than three weeks ago and the US and CDN economy is again stronger this quarter.



The Alberta and Saskatchewan pallet industry is quite busy. No one is working to 100% capacity due to lack of skilled labour. Most were hoping for a summer doldrums to retool and get lumber ready for the fall drive.

No one is complaining and most are near pre-recession totals. The few to whom I spoke were very busy and simply told me the rest of the summer looked good and the fall could be out of sight.

Competent Canadian labour availability is poor. Manpower seems to be holding pallet plant production back and many western low end industries are upset with the CDN Government who have almost stopped CDN short-term working Visa's and the availability to Health Care for migrant workers. The need for migrant workers in all three western provinces is paramount to a successful season in the livestock industry, cash crop harvest and of course the pallet industry.

Truck and driver shortages again have provided another problem for industry. Even if you do order lumber or hold a contract for a pallet order it is almost impossible to find a trucking company to haul that load at an affordable price.



The BC pallet industry is "OKAY". The industry is quite busy but it will take some time to get back to pre-recession 2008 profit and production levels.

Competition is fierce, especially from small pop-up pallet plants that come and go as the price of lumber drops or increases. These small shops pop up and easily tear down the profit margins of longtime pallet companies and within months they are gone.

Lumber is back up forcing many to re-visit their pallet pricing. Many companies are hopeful they do not have to make the dreaded call to their consumer.

The repaired #1 pallet price is up slightly to \$5.55 to \$6.00. There are more customers looking for the cheaper \$4.00 cores than new pallets. Pickers and DC's have increased their price which affects the cost to the consumer.

Repair operations are paying more for US and CDN ISPM No. 15 HT pallets due to the fact that the US Border Protection Service at Blaine, WA have been turning back any ISPM No. 15 pallets that are identified as foreign. The US officials believe they are protecting their forest from unknown quarantined pests if they return to sender all ISPM No. 15 pallets from Europe, Australia or Asia.

New pallet production is seeing a slight demand especially in the Vancouver area.



Eastern Canadian SPF KD/HT & Pallet Report



Pallet companies in the east continue to fight over orders. With little demand for their product they end up damaging their credibility and networking. No one wants to lose money but it seems like pallet people do the best job with that specific detail.

One pallet repair operator is very disappointed with the economy of **Southwest Ontario**. He said that there is little growth, no new business opportunities and a shrinking market.

He has a shortage of 48 x 45 cores but availability in all standard sizes.

Again, similar to the northern US, the Amish are offering product at unrealistic prices. No tax paying companies can compete. Most Amish plants are selling at 30% cheaper than their nearest tax-paying competitor.



Eastern Ontario's market mirror's the Southwest Ontario market. Everyone is struggling. Business is flat with no idea when buyers will return to actively purchasing pallets. One year ago in 2012, July was one of their best months but this July business is terrible.

Buyers are again playing one pallet company against the other forcing many to drop prices and profit margins to maintain that buyer. There is little or no new business in Eastern Ontario.

Pallet buying is one week on and one week off. The market was good from January to June but went downhill in July.

Most companies are working hard to simply keep their customers and try to recover their losses from this winters lumber price increase.

Many pallet companies are trying small increases hoping that loyalty will enter the equation.

Some Ontario pallet owners are very disturbed that the bi lateral agreement with the US, which will demand ISPM No. 15 wood packaging, has not been pushed forward by the CWPCA/ACMPC and the CFIA. Some have financially sacrificed to meet the upcoming demand by purchasing kilns and chambers. As of today no discussion between the CFIA and USDA is scheduled.



"A crazy market" was the initial response by some eastern brokers. The sluggish economy has provided little action. Many plants have gone on vacation which again reduces the demand. Usually there is a demand two or three weeks before vacation time but this year near silence from buyers.

Some brokers have 2x6x8 KD/HT stock in their yard that they paid over \$320.00 delivered and today many are buying new material from the mill, adding their percentage and selling that same 2x6x8 KD/HT material for \$230.00 delivered Toronto.

Rough lumber continues to be strong. Today, there is little or no price change for all dimensions of rough. Some brokers have increased this price due to the lack of supply from the mills.

Many mills and packaging companies have complained that the softwood grade has digressed about as far as it possibly can. There is now little wiggle room for the mills to produce economy grade material.

Mold on lumber is a big issue for both brokers and pallet/package buyers. The mills seem to be drying their product too quickly leaving too much moisture in the board. Add the higher humidity in the board to a hot sunny day with little wind and you promote mold.

HT or heat treating specifies 56° for 30 minutes to the core. It does not specify moisture density leaving these HT boards vulnerable to mold.

Another reason is that some mills use low humidification kilns and this again leaves enough moisture in the board to support mold.

The countervailing duty designated by the US/CANADA Softwood Lumber agreement could raise its ugly head in August. No one really knows how high the duty or if there will be an increase but the benchmark is \$355.00. The lowest posted price from the June report on framing lumber will generate the duty in August; the lowest in July will generate the duty in September and so forth.

Canadian Tax Levels		
Prevailing Monthly Price*	Option A¹ - Export Charge (Expressed as a % of Export Price)	Option B² - Export Charge (Expressed as a % of Export Price) with Export Allocation
Over \$US355	No Export Charge	No Export Charge and no volume restraint
\$US336-355	5%	2.5% Export Charge + maximum volume that can be exported to the United States cannot exceed the Region's share of 34% of Expected U.S. Consumption for the month
\$US316-335	10%	3% Export Charge + maximum volume that can be exported to the United States cannot exceed the Region's share of 32% of Expected U.S. Consumption for the month
\$US315 or under	15%	5% Export Charge + maximum volume that can be exported to the United States cannot exceed the Region's share of 30% of Expected U.S. Consumption for the month
<p>*Four-week average of Random Lengths Framing Lumber Composite Price. 1 - Applies to B.C. and Alberta. 2 - Applies to Quebec, Ontario, Manitoba, and Saskatchewan.</p>		

As you can see if the price of the June contract dropped \$21.00 the duty for British Columbia and Alberta, **Option A¹**, could be 5%, if it dropped more than \$39.00 the duty will be 10%.

The same drop in price for the other provinces **Option B²** will apply.

As long as the price of framing stock continues to be weak the countervail duty will be added to all softwood lumber moving into the US. You can now ignore Canadian to US dollar devaluation as a selling point.

As you can see, if the price of framing stock falls below \$300.00 the full export charge will be applied.

Many believe that when China backed away due to the increase in price of all dimensions of softwood the mills were in trouble. With an over-supply in all dimensions management told their sellers to dump the lumber even though it may cost them money.

If the countervailing duty is initiated many brokers who ship pallet dimension stock into the US will respond by shipping pallet kits. Pallet kits are not considered in the Softwood Lumber Agreement and not subject to the countervail duty.



Eastern Canada Hardwood Lumber & Pallet Market

 Hardwood lumber production continues to be soft. The recession almost destroyed this industry and the departure of CPC will again stress this eastern based forest industry.

CPC was a large part of the demand for hardwood boards and 3x4 stringers. Even CHEP Canada, who uses a close twin to the CPC stringer pallet, may slow the purchase of hardwood for new pallet production.

As CPC reduces in strength the pressure CHEP once felt is no longer. They can now ease production on new pallet production and spend more time on repairing their stringer pool. If CPC finally dissolves, CHEP who owns Paramount Pallet, a national repair company, could

adopt those orange CPC pallets, now under Paramount's control, to blue. This is simply a supposition on my part.

There is little change in the price or demand for heavy density hardwoods. Poplar/Aspen continues to be strong with little change in price.

Our dollar is dropping farther against the US dollar offering another reason for the US buyers to come calling for Aspen.

Aspen Runners	Toronto	1 ¼ x 3 ½ x 48 Notched	\$.73
Aspen Boards	Toronto	5/8 x 3 ½ x 40	\$.32
Hardwood runners	Toronto	1 ¼ x 3 ½ x 48 Notched	\$.93
Hardwood boards	Toronto	5/8 x 3 ½ x 40	\$.42



US Hardwood

Weather again has offered another challenge to the pallet industry who utilize low-grade hardwood. The weather has forced loggers out of the bush which restricts logging.

The demand for low-grade is up along with the price. Most of the northern states, except Michigan, is near or about \$400.00 US for cants. The eastern states as far south as Georgia is paying near or over the \$400.00 for cants.

There is little relief in sight and will not change until the loggers get some weather that will allow some stable logging conditions.

4 x 6 and 3 ½ x 6 cants in Missouri continue to sell for \$305.00 mbf this month but inventories are low. 4 x 6 and 3 ½ x 6 cants in Western NY are selling for \$405.00 USD.



Southern Yellow Pine

SYP continues to be soft. 2 x 4 S4S is selling for \$200.00 to \$245.00 FOB mill depending on the mill and quality. Most mills are dumping product with end of the month discounts. The biggest change this month is the 2x4 & 2x6 #4 KD/HT price.

Prices for most dimensions are off \$20.00- \$40.00.

- 1x4 Rough Green \$235 mbf FOB NC, VA
- 1x6 Rough Green \$250 mbf FOB VA
- 2x4 Rough Green \$215 mbf FOB NC (low grade rough green)
- 1 ½ x 3 ½ Rough Green (1 ½ x 3 ½ Count) \$300 mbf FOB SC
- 2x4 #4 KD HT \$200-250.00 mbf FOB VA, SC, NC
- 2x6 #4 KD HT \$200-250.00 mbf FOB VA, SC, NC

In speaking with this broker he says that most pallet accounts are all busy. His major market is PA, Maryland, Ohio, NJ and south. He has been asked by some of his softwood customers to help locate hardwood in any form.

Some of his hardwood accounts are switching to pine until the hardwood mills rebound.

Cants, as reported, are very hard to find due to availability but another reason is that many mills have started to again supply the flooring and grade market with 2" Oak at \$700.00 to \$800.00 Mbf.

Canadian Lumber Market – Hardwood & Softwood Supply & Pricing

Price of 4x6 hardwood cants	\$438.00 FOB Montreal \$470.00 - \$480 FOB Toronto \$420.00 FOB Maritimes
Price of 4x4 hardwood cants	\$438.00 FOB Montreal \$470.00 - \$480 FOB Toronto

The Western softwood market

Prices are reflective of delivery major centre.

Douglas Fir - **ECONOMY**

2 x 4 RL	\$240.00 MBF major centre.
2 X 6 RL	\$240.00 MBF major centre.
1 X 4 M/R	\$340.00 MBF major centre.
1 x 4 Economy	\$320.00 MBF major centre.

SPF **ECONOMY**

2 x 4 RL	\$242.00 MBF major centre.
2 X 6 RL	\$235.00 MBF major centre.
1 X 4 M/R	\$340.00 MBF major centre.
1 x 4 Economy/5 Common	\$325.00 MBF major centre.

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The Eastern softwood market - This is reflected in the prices FOB Toronto

SPF KD/HT - #4

2 x 4 x 8 economy	\$255.00 delivered Toronto
2 x 6 x 8 economy	\$230.00 delivered Toronto
2 x 6 x 7 economy	\$235.00 delivered Toronto
2 x 4 x 10 economy	\$260.00 delivered Toronto
2 x 3 x 8 economy	\$265.00 delivered Toronto
Notched stringers	\$355.00 delivered Toronto

SPF Rough Lumber - \$60-70.00 for HT

1 x 4 x 8	\$340.00 delivered Toronto or \$400.00 HT
1 x 3 x 8	\$330.00 delivered Toronto or \$390.00 HT
2 x 3 x 8	\$300.00 delivered Toronto or \$360.00 HT
2 x 3 x 7	\$300.00 delivered Toronto or \$360.00 HT

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kevin@maxwoodlumber.com



Typical Core Buy and Sell Prices for #1 GMA or 48 x 40 pallets

Pallet core availability in the US is mainly tight to very tight. Many customers are pleading with their pallet repairers for any type of repaired pallet. The economy of the US is exploding and with the explosion comes demand for cheap repaired pallets to move product.

The selling price of repaired #1 GMA's range in the US Mid-West is up near \$7.00 -\$8.00 in the major centres and going higher. The selling prices for #2 GMA's range from \$4.75 to \$5.25. major centre.

The highest price in Canada for cores is in the west. Ontario prices are firm and the lowest price for repaired pallets is east of Quebec. Eastern Canada core availability is good to average and good to tight in the west.

The prices have changed. These are **average** prices across **North America.**

- Repaired Non HT #1 – 48 x 40's are selling for an average of \$5.55 - \$6.00
- Repaired HT - #1 48 x 40's are selling for an average of \$6.00 - \$7.00
- Repaired Non HT #2 – 48 x 40's are selling for an average of \$4.30
- Repaired HT - #2 48 x 40 pallets are selling for an average of \$4.80

As of July 31 – Repaired #1's



Hardwood average nationwide USA

Availability- tight to very tight



Hardwood average nationwide Canada

Availability - good to average



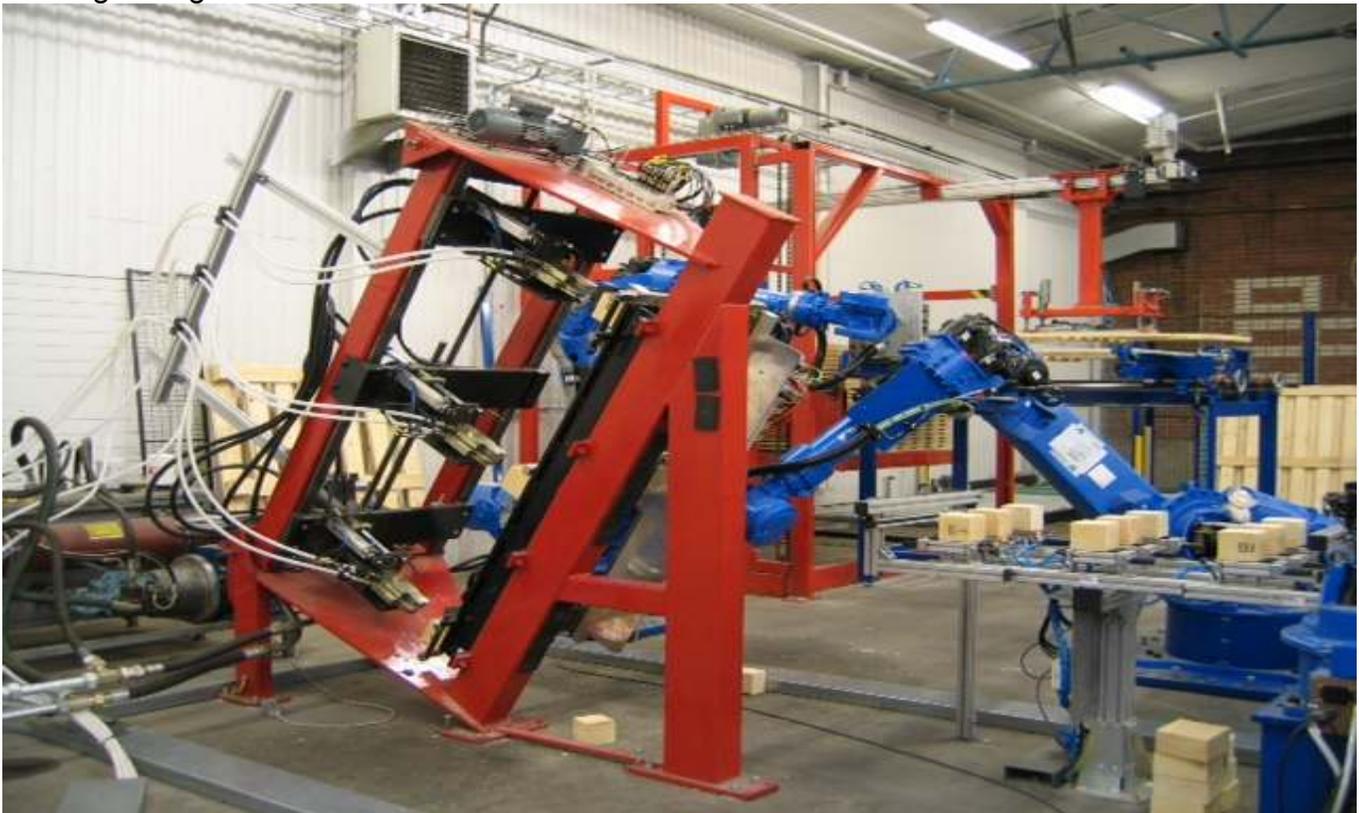
Softwood average nationwide Canada

Availability - good to average

Robots in the Wood Pallet Industry

Jointec July 2013

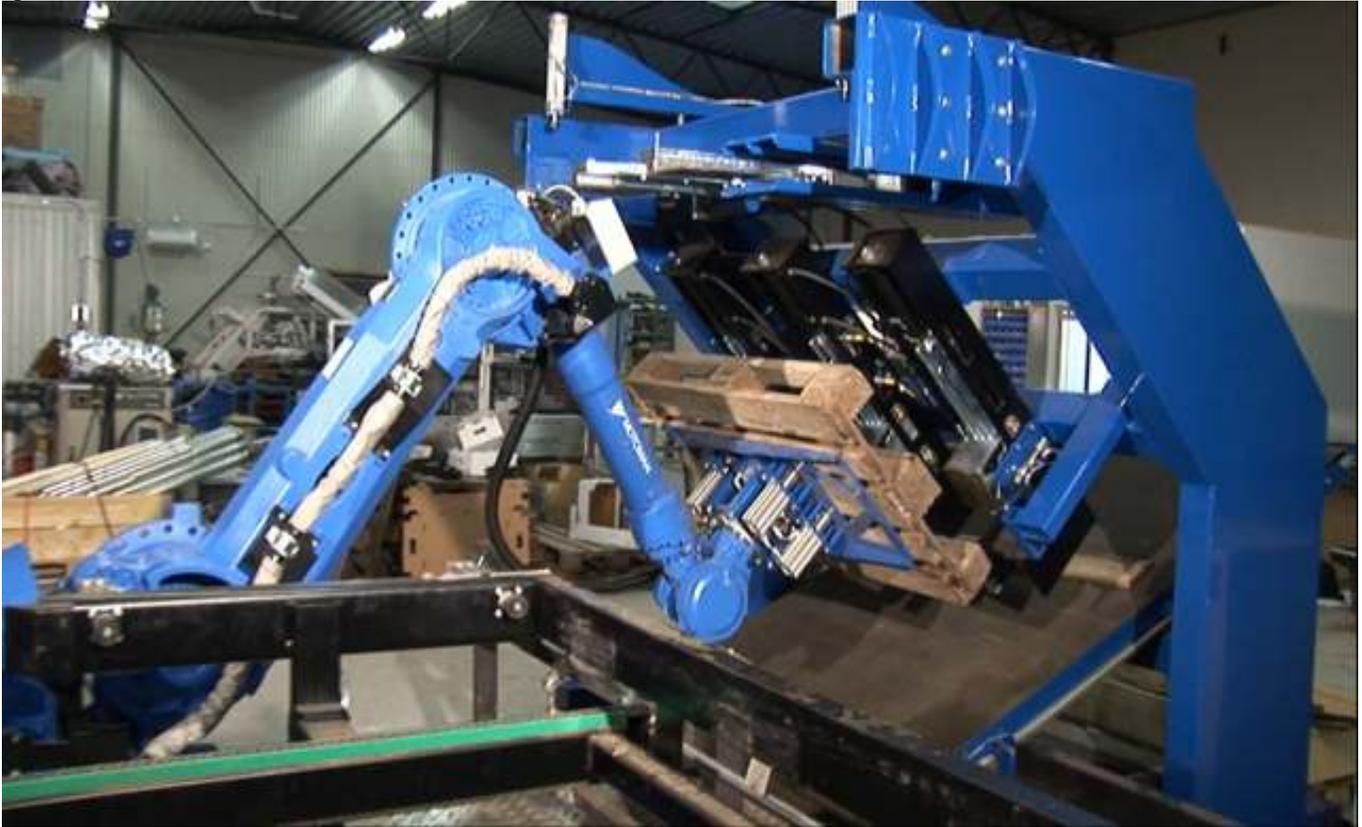
In the last five years there has been significant development in the automation of wood pallet production and repair. The Swedish company Jointec has been at the forefront of these exciting changes.





Over 250 million standard pool pallets are repaired in Europe annually plus many million more non-pool pallets. The existing methods of hand tools, pneumatic guns and band saws
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have negative safety implications in all the main areas of concern such as vibration, manual handling, noise and dust.



In cooperation with Jointec's partner Yaskawa, Jointec has developed fully automated solutions to dismantle pallets and fit new blocks and boards. Using industrial robots to replace people addresses all these safety concerns as well as offering improved efficiency and lower costs. With pool performance depending essentially on pallet quality, robot automation ensures consistency of-specified repairs. Now with 17 installations throughout Europe Jointec/Yaskawa is in the fourth generation of this advanced technology and are currently developing solutions for perimeter based pallets.

In the production of new pallets Jointec has led a similar revolution. In situations where flexibility and quick changeover are important, traditional fixed nailing machine lines have proved complex and unreliable. The Jointec's approach is to ensure that all the movements of components, sub-assemblies and finished pallets are undertaken by robots affording reliability and flexibility.

Jointec's range consists of simple nailing machines using fixed jigs producing 500 pallets per shift to jigless multi-robot installations producing 2,000 with 5 changeovers.

The philosophy is simple. Jointec started from the first principles of robotics by removing people from the production and repair process. Mechanical complexity is avoided letting the ultra-reliable robots handle all movements. Their installations are characterized by the quiet calm atmosphere and steady reliable output.

For full information on the Jointec visit www.jointec.se or e-mail Karl-Johan Berg at Jointec AB karl@jointec.se. Watch the video at <https://vimeo.com/67293406>



European Wooden Pallet & Wooden Pallet and Packaging Industry Report

July 2013

Economic conditions in Europe are more stable but generally remain depressed and there are continuing austerity measures in force. This poor economic situation translates into ongoing weakness in demand for wooden pallets and packaging in Europe, although the impact varies significantly between countries. The weakness in demand is greater in the southern countries.

As well as the continuing economic impact of European and global demand there are structural changes in the demand for new pallets. The overall demand for new pallets in Europe is declining due to lower industrial activity, increased market penetration by the commercial pallet pools which increases pallet recovery and repair, cost saving focus by buyers which is leading to significant increase in demand for second hand and repaired pallets even from major clients. This trend is clearly borne out in recent figures from UK and Spain and is likely to be repeated in other European countries in the future.

The UK construction activity is finally improving and this is leading to a modest increase in demand for pallets in the construction sector. A less welcome effect is that the increased demand for home grown construction timber, and as the UK pallet industry is now very dependent on home grown pallet timber for its supply, it is likely that this will lead to increased pallet timber prices. The increased price of pallet timber, which accounts for over 70% of pallet manufacturers' revenue, will be extremely difficult to pass on to pallet customers, but with margins having declined in recent years to dangerously low levels, increased pallet prices are inevitable even in the current weak market conditions.

ISPM 15 matters continue to be a major concern in Brussels, and FEFPEB is in continuing dialogue with the European Commission about potential extension for intra-Community movements of wooden pallets and packaging. The Commission is planning further impact studies and is well informed by the industry in its assessment of the need for an extended introduction period in order to facilitate the required investment in heat treatment capacity in both the sawmilling and pallet manufacturing industry. The gradual increase in demand for kiln dried pallets is simulating investment in KD and HT capacity but progress is slow and the required level of investment is likely to only take place when there is a certain introduction date for the extended regulations.

FEFPEB and its French national association (Sypal) are well advanced in preparations for the 64th FEFPEB Congress to be held in Bordeaux, France 16th to 18th October 2013. This year the FEFPEB Congress is also INTERPAL VIII and the theme of the congress is "creating worldwide objectives for the wooden pallet and packaging industry". The European wooden pallet and packaging industry will be joined by delegates from around the world to discuss major developments in the industry. The USA and Canadian associations will make presentations about developments in North America.

A key objective of the World Forum Pallet and Packaging Industry will be to organise our global industry to deal with regulatory and market issues at the global level, specifically ISPM 15.

A high level of sponsorship for the congress has already been achieved which augurs well for a highly successful congress which will include sawmill and pallet factory tours as well as first class business and social programmes.

Details about the congress can be found at <http://www.fefpeb.eu/congress-2013>.

Hardwood Outlook in 2013 • Update

World Economic Activity Improves

The global economic recovery is uneven but gathering momentum, with Asia and North America leading the way. China, the largest consumer of lumber, is continuing its rapid growth, with forecasted GDP increases of 7-8% this year. The U.S. recovery is accelerating and should see annualized second-half growth of 3%. European recovery has been slower, and significant problems linger. Spain, Portugal, Greece, Crete and Slovenia have been in the headlines as central banks attempt to bring them out of recession. However, we expect economic activity to improve in all regions for the balance of the year.

Domestic Trends

The recovering housing market and job gains are driving U.S. hardwood demand. Nationwide housing prices have risen by 10.9% over year-ago levels, and by over 20% in some localities. New home starts are estimated by the National Association of Home Builders to reach 1.017 million units in 2013, the highest since 2008. While single-family starts have plateaued in the first half of 2013, the future of housing construction looks bright. Interest rates will remain historically low and a pent-up demand for homes should push total starts above 1.2 million units in 2014 and 2015.

The domestic demand for lumber is rising accordingly as flooring, cabinet and furniture plants are all seeing rapid sales growth. Coupled with steady export sales to Asia, production has not been able to keep up with demand and prices for most hardwood lumber items have steadily increased over the last 6 months. Sawmills in North America are attempting to increase production, but have been slowed by a lack of logs, tight credit, and rising timber costs. It is unlikely that production will catch up with demand before late-summer or fall.

Clearly, the hardwood industry has downsized and transformed itself over the past few years. Sawmills and secondary manufacturing plants have been forced to operate more efficiently in order to survive. Now, after 5 years of decline, sawmills and plants are again increasing capital expenditures.

During the extended downturn in grade lumber markets, demand for industrial products played a major role in keeping sawmills afloat. These markets will remain important even as grade lumber demand returns. Railroad tie and timber markets will demand over 1 billion board feet of hardwoods this year. The construction and energy sectors will increase their demand for hardwood crane and timber mats, and **pallet demand will grow steadily stronger** as U.S. industrial production improves.

Export Trends

Hardwood lumber exports grew 12% in 2011, 10% in 2012, and are trending another 8% higher through April 2013. Thanks to the work of the American Hardwood Export Council, and others, U.S. hardwood log and lumber exports are well-positioned to meet global consumers' growing concerns about the legality and sustainability of the products they use.

AHEC is developing new tools for architects, legislators and consumers to see how wood stacks up environmentally to competing building materials...and setting new standards for transparency and disclosure in the process. While initially driven by the need to address tough new EU timber regulations, the mounting evidence of the environmental superiority of U.S. hardwoods will also boost wood exports to Asia and Latin America, and will keep the U.S. a priority supplier of Europe's growing bio-energy needs.

Weekly lumber market update and overview for July 19

Posted July 22, 2013 - Stockhouse Publishing Ltd.

North American solid wood manufacturers celebrated this week as price levels have clearly reached, and immediately bounced off, recent bottoms.

Since the combined Canada Day/US Independence Day long weekends, incremental price increases have taken firm hold across commodities and regions. Sawmills report encouraging order files of between two to four weeks, depending on the item.

Benchmark WSPF KD #2&Btr 2x4s this week sold for US\$320 mfbm, an \$8, or 2.5 per cent, improvement over the previous week and a \$20, or 6.25 per cent, increase from two weeks ago. In lumber futures, the distressing July contract closed on the 15th so trading has shifted firmly into September. At mid-week those futures prices jumped up-limit (\$10) then continued trading upward Thursday to close at US\$331.50. This is a \$10 premium to cash.

Bearish reactions to a decrease in US housing starts figures for June, released this week, can best be described as uninformed. The large US home building companies announced plans two years ago to increase apartment and condominium building, and this month's reduction is exactly in line with their well-known building plans. Only small volumes of wood are needed for multi-family building, so that segment is not critical to the lumber industry. Total US housing starts in June are up 10.4 per cent and permits are up 16.1 per cent compared to one year ago. New building of single-family units was essentially flat compared to May.

Severe storms and flooding in June, which impacted both infrastructure and transportation, are blamed for the poor showing. Currently, rising temperatures across North America are already stalling building projects as workers can only stay at job-sites for a few hours before the heat becomes dangerous. In Quebec the annual construction holiday has begun, as have seasonal shutdowns, curtailments, and maintenance breaks for sawmills.

Lumber prices softened enough in May and June to bring the export tax on Canadian wood crossing the US border back for August 1. Exporters in Option A provinces (British Columbia, Alberta) will be paying an additional 10 per cent on wood sold into America. Given the healthy price increases of the past two weeks, it is safe to say that the tax will be reduced -- or come off entirely -- in September.

Rising summer temperatures impacted not only building sites but timber harvesting as the forest fire danger spiked significantly this week. Most producers across North America told Madison's Lumber Reporter that their current log stocks are sufficient to carry them through any fire bans and into cooler seasonal temperatures.



Fed survey finds growth picking up throughout U.S.

July 22, 2013 - The Globe and Mail

The U.S. economy grew throughout the country from late May through early July, bolstered by the housing recovery, consumers and more factory output.

A Federal Reserve survey released Wednesday showed that 11 of the Fed banking districts reported "modest to moderate" growth, while Dallas reported "strong" growth for the second successive survey.

Housing construction and home prices improved, while consumer spending increased in most districts, fuelled by rising car and truck sales. The housing recovery is also driving more production of lumber, materials and construction equipment.

The report says hiring held steady or increased in most districts. But employers in some districts were reluctant to hire permanent or full-time workers.

The Beige Book survey is based on anecdotal reports from businesses. The latest report painted an optimistic picture of an economy growing at a steady pace. Job gains have picked up this year, bolstering incomes and enabling consumers to spend more.

Employers have added an average of 202,000 jobs a month this year, up from about 180,000 a month in the previous six months.

Still, growth has been weak. Most economists expect that growth slowed in the April-June quarter to an annual rate of 1 per cent or less, down from a tepid 1.8-per-cent rate at the start of the year. That would mark the third successive quarter of growth below 2 per cent.

Many economists are hopeful that growth will rebound in the second half of the year.

Recent reports, however, have painted more of a mixed picture. Americans bought more cars, clothes and furniture in June, but cut back retail spending almost everywhere else. Excluding volatile purchases of autos, gas and building materials, retail sales rose at the slowest pace since January.

Factory output grew in June for the second consecutive month, a sign manufacturers are recovering from a slow start to the year.

Fed chairman Ben Bernanke told Congress Wednesday that the economy has improved since the Fed launched its bond-buying program in September. He reiterated that Fed policy makers may decide to scale back the purchases later this year, if the improvement continues. But he also said the Fed wants to see substantial progress in the job market before that happens.

One of the strongest parts of the economy this year has been housing. Home sales and prices began recovering a year ago and sales of previously occupied homes topped five million in May for the first time in 3 1/2 years. Prices are rising at the fastest pace since the housing bubble burst seven years ago.

Rising home prices tend to make homeowners feel wealthier and more likely to spend. That drives more growth because consumers' spending accounts for roughly 70 per cent of economic activity.



Shipping Pallets: Pallet market set to reach 1.3 billion units in 2017

A recovering economy and the re-shoring of manufacturing are driving demand!

My Opinion: Mr. Trebilcock does another great job in reporting on this issue. This is an update from last months' article on the increase in pallet demand. This article provides additional information, especially from COSTCO and their continued commitment to block pallets.

By Bob Trebilcock, Executive Editor, July 03, 2013

There were a few other important bullet points for pallet users from the report's executive summary.

- Block pallets are expected to take a larger share of the market as a growing number of manufacturers replace stringer pallets with new block pallets.
- Plastic pallets have seen their strongest advances in percentage terms ever and will continue to record above average growth.
- Metal pallets will notch the biggest percentage gains of any of the three most common pallet types (wood, plastic, metal).

- The caveat: Both metal and plastic pallets represent a relatively small percentage of the pallet market, so that the effect on overall pallet sales will be minimal. Wood pallets, for instance, account for more than 90% of the pallet market in terms of units, with plastic accounting for about 4% and metal accounting for less than 1% of the total number of pallets. Corrugated, molded wood pallets and pallets constructed of other alternative materials account for the remainder.

A variety of factors are driving overall pallet demand, regardless of the type of material, according to Zoe Biller, a Freedonia industry analyst and the author of the report. “You’re seeing a recovering US economy and the larger trend of moving manufacturing capacity back to the US from off shore,” Biller said. “Those are the two most important macro trends.”

Biller identified important trends for each of the pallet types.

Wood: Although not highlighted in her report, Biller estimates that about 60% of wooden pallets are used and about 40% are new. Those percentages could shift in favor of new pallets going forward. That’s because the industry has been reporting a shortage of used quality used pallets, known as cores, for the last year or so. “The core shortage appears to be real and it is going to be part of what’s going on going forward,” Biller said. “But it should correct itself in the long term as end users buy new pallets that replenish the pool.”

Nearly two years ago, Costco announced that it was going entirely to a wooden block pallet. Biller believes Costco’s decision is a symptom of the overall trend towards block pallets rather than a driver. “Costco is part of a broader trend towards pallets that are easier to use, especially in an automated system or with pallet jacks,” Biller said. Block pallets fit both of those bills. She adds, “There’s also a bigger trend to turn products and processes that aren’t a core business to a third party and pallet management is definitely part of that trend.”

Plastic: The move towards plastic appears to be driven by companies that can control their pallet pools and take advantage of plastics’ longevity as well as “growing sanitation concerns related to wood pallets,” Biller said. “Food safety regulations may have something to do with it going forward.”

Metal: The metal pallet boom is a result of several factors. One is that users stopped buying metal pallets during the recession and got by with existing stocks. Now that the manufacturing economy is picking up, they need more metal pallets to meet demand. What’s more, there are very few metal pallets relative to wood and even plastic pallets. Any pick-up in demand will result in a large percentage increase in the number of pallets.

Asked if she was surprised by any of the results, Biller said she was surprised by how far the pallet market declined during the recession. “A big part of the market advance is the need to bring the number of pallets available for use to required levels,” she said.



A Break with the Summer Break Blues?

Peter G. Hall, Vice-President and Chief Economist. July 11, 2013

There’s a sour seasonality that has become entrenched in recent global economics. In the past few years, summer has become a disarmingly punctual momentum-killer of global production. Perhaps the most critical question in EDC’s Summer 2013 Global Export Forecast is whether we are in for yet another summer drubbing, or whether this is the year we break with that sorry tradition.

What makes it difficult to accept the new pattern as a trend is the wide variety of unpredictable events that caused it. Full-blown crisis hit the world economy in the summer of 2008. Stimulus made the following year an exception, but the end of the stimulus growth-surge

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killed growth in the summer of 2010. Knock-on effects of the Arab Spring and a shocking series of natural disasters quashed a decent surge of momentum in the summer of 2011. And last year it was the unexpected collapse of the Greek government and immediate fears of a widespread, debilitating domino effect that again undermined early-year momentum in the summer months.

Will this summer be any different?

A glance at worrisome developments might elicit a well-practiced summer sigh. Mass protests are currently underway in Brazil and Turkey, conflict is intensifying in Syria, and the toppling of the Morsi government in Egypt has further unsettled the Middle East and prompted a spike in oil prices. To add to the uncertainty, the mere mention of an exit plan from quantitative easing has roiled global stock markets, depreciated a wide array of currencies, prompted a spike in bond rates and weakened key commodity prices. Agreed, it's a different set of issues, but it's so timely that it looks like an evil spell.

Before we get too resigned to a repeat, there is a significant, albeit less newsworthy, upside. Notice the perceptible increase in momentum that is thus far undeterred by recent events. Growth in private sector activity is most obviously increasing in the US, but both Europe and Japan have seen growth estimations increase in recent weeks in response to policy measures, but also to key growth fundamentals. And at long last, confidence is rising. It is up in 6 of the past 8 months in Europe. Japan's Tankan Index is at its highest level since early 2008, and the same goes for US consumers, who, in the last two months, have convincingly broken out of their protracted recessionary pessimism.

It was a growth-and-confidence conundrum that kept the post-Depression economy from getting back on its feet again. As such, it is quite significant to see a simultaneous resurgence of these dual factors on a broad regional basis that seems to be occurring ostensibly on its own, without the aid of a new, flashy set of innovative policy measures. At this moment, it has the appearance of a homemade antidote to the event-related summer slowdowns that have become almost systemic.

EDC's summer forecast believes that current momentum will continue. In spite of some early-year softness, global growth is generally expected to remain resilient over the summer months and into the fall, averaging 3.3 per cent this year and rising to 4.1 per cent in 2014. Developed markets will see greater growth improvement, rising from 1.4 per cent in 2013 to 2.3 per cent next year, although emerging markets will still crank out superior overall performance at 5.1 and 5.8 per cent in the next two years, respectively. As such, Canadian exports are forecast to rise 7.4 per cent in 2013. Lower commodity prices will weigh on growth next year, with the forecast pegged at 4.7 per cent.

The bottom line? Time will tell whether this summer's negative shocks will again send the economy scurrying for cover. This time around, the world economy seems to be mounting its most credible assault on the doldrums since 2009. It's a critical moment, one that has been a long time coming.



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